

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF APPLICATION OF ARTESIAN)
WATER COMPANY, INC. PURSUANT TO 26 DEL.)
C. § 215 FOR APPROVAL OF THE ISSUANCE OF) PSC DOCKET NO. 17-1159
FIRST MORTGAGE BONDS.)
(FILED NOVEMBER 27, 2017))

ORDER NO. 9160

AND NOW, this 21st day of December, 2017, the Delaware Public Service Commission ("Commission") determines and Orders the following:

1. On November 27, 2017, Artesian Water Company, Inc. ("Artesian" or the "Company") filed with the Commission, pursuant to 26 Del. C. § 215(a)(2), an application (the "Application") seeking approval of the issuance of long-term debt, designated as First Mortgage Bonds, Series U, in the principal amount of \$25,000,000 (the "Series U Bonds"), and authority to record all issuance costs, expected to be approximately \$125,000, as a regulatory asset to be amortized over the life of the Series U Bonds.

2. According to the Application, the Series U Bonds will be issued as follows:

a) Artesian will execute a Twenty-Third Supplemental Indenture of Mortgage ("Twenty-Third Supplemental Indenture") to the Wilmington Trust Company, a Delaware corporation, as Trustee. The Twenty-Third Supplemental Indenture will be supplemental to the Indenture Mortgage dated July 1, 1961, the execution of which this Commission authorized on November 10, 1961 through PSC Order No. 644 in Docket No. 347.

b) Pursuant to the Twenty-Third Supplemental Indenture, Artesian will then issue the Series U Bonds in the aggregate principal

amount of \$25,000,000, and will sell the same at a price of 100% of the principal amount thereof to a cooperative bank, namely, CoBank ACB ("CoBank"). The sale of the Series U Bonds will be made pursuant to a Bond Purchase Agreement between Artesian and CoBank and in accordance with the terms of their Interest Rate Lock Agreement.

3. Artesian states that, through the issuance of the Series U Bonds, the Company will retire its \$25,000,000 Series P 6.58% Bonds, which mature and become due on January 31, 2018.

4. The Company states that the issuance is based upon its financial strategy to obtain long-term financing at favorable interest rates. Through the issuance of the Series U Bonds, Artesian will be able to lower long-term interest expense by approximately \$467,500 on an annual basis.

5. Staff has reviewed the Application, the Interest Rate Lock Agreement, and Artesian's completed Schedules 1, 2, and 3. The Application states that Artesian will provide to the Commission the following as they become available: (a) an opinion from Artesian's outside counsel; (b) the Bond Purchase Agreement; and (c) the Twenty-Third Supplemental Indenture. Based upon this review and its investigation, Staff has recommended that the Commission approve the Application.

6. The Commission, after considering Staff's recommendation, determines that the proposed issuance of the Series U Bonds is in accordance with law, for proper purposes, and consistent with the public interest.

NOW, THEREFORE, BY THE AFFIRMATIVE VOTE OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY ORDERED:

1. That Artesian Water Company, Inc.'s Application seeking Commission approval of the issuance of long-term debt, designated as First Mortgage Bonds, Series U, in the principal amount of \$25,000,000 is hereby approved.

2. That the Commission approves Artesian Water Company, Inc.'s request for deferred accounting treatment to record all issuance costs, expected to be approximately \$125,000, as a regulatory asset to be amortized over the life of the First Mortgage Bonds, Series U.

3. That Artesian Water Company, Inc., is hereby authorized to execute the Twenty-Third Supplemental Indenture, Bond Purchase Agreement, and any other documents and instruments necessary and appropriate in conjunction with the issuance of the First Mortgage Bonds, Series U, in the principal amount of \$25,000,000.

4. That Artesian Water Company, Inc., shall file a written report with this Commission within thirty (30) days of the closing of the transactions approved by this Order, setting forth, with regard to each transaction, the amount(s) issued, the maturities, the interest rates, and the actual proceeds received, along with a copy of the Final Bond Purchase Agreement, the Opinion(s) of Counsel, the Twenty-Third Supplemental Indenture, and all information required under subsections 3.1 and 4.1.1 of Part D, Section 1002, Minimum Filing Requirements for Issuance of Securities, not provided to the Commission as of the date of this Order.

5. That this approval of Artesian Water Company, Inc.'s Application shall not be construed as approving the capitalization

ratios that may result for any purposes or procedures involving rate-making. In addition, nothing in this Order waives the Commission's rules regarding the burden of proving the merits of any related issue. The Commission's approval of Artesian Water Company, Inc.'s Application is limited to that which is necessary under 26 *Del. C.* § 215 and shall not be construed, in any manner, as endorsing any ratemaking treatment for any future rate case.

6. That nothing in this Order shall be construed as a guarantee, warranty, or representation by the State of Delaware or by any agency, commission, or department thereof, with respect to the securities to be issued pursuant to this Order.

7. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary